

Institution of the Year

Bandhan Financial Services Pvt Ltd



Post the announcement of the winners, the Awards Secretariat interviewed Mr. C.S. Ghosh, Chairman and Managing Director, Bandhan. Following are the excerpts from the interview.

Please tell us something about your childhood.

I was born in a lower middle class family in Tripura. Our family had a small sweet shop. I did my higher studies in Dhaka. Just when I completed my Masters in Statistics, I lost my father. Since I was the eldest among 6 of my siblings, I felt my shoulder so heavy all of a sudden. Without much thought, I joined a NGO (today the institution is recognized as the World' largest NGO i.e. BRAC). I worked there for many years and needless to say I learnt some valuable lessons during that time. But destiny brought me back

to the country. I worked for some years in different MFIs / development organizations in West Bengal. But I yearned to do something on my own. In 2000, Bandhan was set up as a Capacity Building Institution; we started implementing direct microfinance services in July 2001.

As a child, I have seen days of struggle – I can recall selling milk door-to-door for the sustenance of our family. There were days when the shop didn't do good sales and our mother used to put us to bed without meals. Also I have seen poverty very closely while I was growing up.

What inspired you to get into the microfinance sector?

Well, I guess I have seen poverty so closely ever since my childhood, that this landed me into the microfinance space. While I was working in BRAC, I had certain incidents that totally moved me. One day while on my routine field visit, I happened to catch a family sleeping during the peak working hours (including the man of the family). On enquiring I learnt that during that season they did not have work, therefore would not even eat for 2-3 days at a stretch. I then realized how important was credit / finance to every individual. Even though I took some money out from my pocket and handed it over to the family, but for many days would that sustain them - was the question in my mind. First of all, the credit needs of the family have to be met. And let me tell you that these credit needs are quite small – only thing we need to emphasize is it reaches them easily and on time. The other issues viz. education, health and the like will follow credit. There is large scale poverty in a big country like ours. Hence, Bandhan was set up to address the dual objective of poverty alleviation and women empowerment.

What factors helped you in making

Bandhan successful?

The commitment and hard work displayed by the value driven work force of Bandhan is my biggest asset. That apart, I owe the success of my organization to many – starting from my experienced and diversified board, to all my lenders for their constant support, to my family for coping with my crazy / hectic schedule and for being on my side irrespective of the circumstances, to all my friends for their guidance, good wishes and prayers. A big salute to all our beneficiaries who have demonstrated high spirits in changing their lives. Without them all, I or Bandhan would not have been able to travel this far.

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Eastern India (one of the underserved areas) was an underserved territory, almost untouched by microfinance for various risk factors. So when Bandhan ventured into these poorer pockets, we got acceptance from the community. This further strengthened our foothold in the region. Bandhan's simplified structures, processes, products and system have greatly contributed to the success of the organization. Participatory decisions are taken at all levels – this is another key to our success. Last but not the least, even though we were growing at a rapid pace, but it is important to mention is that we always maintained a close connection with our field. I guess, that primarily defines the mantra behind Bandhan's success.

What were the challenges / hurdles you faced on the road to success?

Oh, like all roads to success, even mine was full of hurdles. Beginning from con-

vincing the Board that microfinance can be successful, not just in Bangladesh but also in our country was quite a task. Then when we finally got to action on ground, the community thought we were chit funds and were of the view that we would run away with their money. It took sometime time for them to realize that Bandhan was a genuine institution working for the poor. Arranging for funds from financial institutions / banks was one major challenge. I have forgotten the no. of doors I must have knocked but no one was willing to lend. At that moment, SIDBI reposed trust and belief in us and decided to accept our proposal for financial assistance. Bandhan received its first loan of Rs. 20 lakhs from SIDBI in 2002-03. Going forward, as and when the organization established its entity the funding problem started being taken care of. It was difficult to attract educated professionals primarily because of low level of awareness about the sector. That apart, we did face certain political problems as far as our operations are concerned. But I must acknowledge that today we enjoy good support from local political parties / bodies. I have learnt so much from each problem that I faced during the course of my life. We should face every hurdle that comes our way – believe me, it will make you tough!

What are the opportunities you see today in the realm of mf for the development of the poor and the marginalized?

Today banking industry over a period of time after working for 200 years have got 35 million account holders and microfinance sector after working only for 10 years has been able to make 25 million people under financial service. That says it all! Over and above 67% (majority of them being poor) of the Indian population has remained untouched. Today we are talking of 9.1 % growth rate and its common knowledge that such growth cannot be facilitated without financial inclusion of these poor segment (outside the realm of institutional credit). Once we are able to get them within the ambit of microfinance, India can actually think of embarking and sustaining an inclusive growth path. So you can imagine the opportunities we have to reach the

unreached. Realizing the potentiality of microfinance, banks and other formal service providers (like reputed audit and research firms and the government) are now joining MF players in their concerted effort towards poverty alleviation. Skilled human resource is also willing to serve this sector.

What are some of the issues and the impediments in the microfinance sector today?

Firstly, Microfinance is yet to garner the recognition of mainstream microfinance by the regulatory authority, Reserve Bank of India. Getting the due recognition will help to frame policies in favour of the sector that will ultimately benefit the poor.

Secondly, building appropriate safety net of

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poor clients becomes a driving need. MFIS are prohibited from collecting saving deposits from the poor. This further complicates the situation as our poor clients end up spending their money for all unproductive reasons. Poor clients cannot even explore the banks as transaction costs for savings turn out to be high.

Thirdly, choosing the right kind of social / institutional investor is a tough call to make for the MFIs. As we are all aware this is the hottest topic in the microfinance space.

There are confusing concepts about microfinance everywhere – some perceive it as commercial, while others look at it as charity. This complicates the situation and

poses as one of the major deterrent to the development of the sector.

Can you please tell us about the financial indicators benchmark that you have set for the sector -in terms of efficiency indicators, profitability indicators and sustainability indicator?

What matters to us the most is sustainability. Once the sustainability of the organization is established, it will ensure profitability. We have unanimously agreed on the amount of profits that the organization wants to make. We want to settle down on a reasonable profit as too much of profit making motive might drift us from our core mission and values. For instance, in Bandhan's case, whatever profit is generated, a major chunk of it is goes to support several development initiatives. Efficiency definitely is of prime importance as it will help to reduce costs and the benefit of it will ultimately trickle down to our poor clients. Let us all emphasize on quality rather than quantity. Friends please don't over burden them with unrealistic targets. Let us not forget that over burdening them beyond a certain limit will decrease their efficiency greatly.

What are your thoughts on ensuring microfinance to the bottom of the pyramid?

Let us not divert from our target clientele i.e. the poor community – that's most important. Let us be very focused that we are here to work for the poor only. We know that the poor community is a heterogeneous one where poor are classified into various strata. The lowest being the poorest of the poor who are generally not covered by mainstream microfinance.

The sector needs to think beyond credit intervention as credit alone cannot ensure a poverty free India. Keeping this in mind, Bandhan has intervened into various credit plus interventions like health, education, skill development initiatives for the unemployed, livelihoods and a program aimed exclusively for the poorest of the

poor(generally believed to be bypassed by microfinance).

Bandhan aims to reach out to 1 million poor families through its varied development initiatives by March 2014.

One last question- now what? What are your and Bandhan's Goal and future plans?

Bandhan has plans to further scale up its microfinance and development activities in a sustainable manner. Through its micro-

finance activities, it plans to reach out to 8 million poor families through a pan India presence by March 2014. Simultaneously, its various development activities will reach a new horizon by reaching out to 1 million poor families by March 2014. Our intervention will be further strengthened by deepening the services in each of the targeted poor families. Through this, we would be generating direct employment (at the staff level) for more than 25,000. And yes, the ultimate dream being to be a 'Bank for the Poor' by 2020.
